

Message Text

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PAGE 01 STATE 004008
ORIGIN EA-09

INFO OCT-01 ARA-06 ISO-00 EB-07 TRSE-00 L-03 IO-13 SS-15
SP-02 SSO-00 NSC-05 NSCE-00 /061 R

DRAFTED BY EA/EP:AGEBER:EBS
APPROVED BY EA:LEDMOND
EA/ROC:HENGELBRECHT
EA/PRCM:SROY
EA:OVARMSTRONG
EB/IFD/OMA:TFORBORD
ARA:RTAYLOR

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O 072211Z JAN 77
FM SECSTATE WASHDC
TO AMEMBASSY QUITO IMMEDIATE

C O N F I D E N T I A L STATE 004008

E.O. 11652:GDS

TAGS: PORG, EC, IMF, IBRD, EFIN

SUBJECT: CHINA ISSUE IN IMF

REF: QUITO 0093

1. REFTTEL RECEIVED ON DAY CHINA ISSUE WAS BEFORE
EXECUTIVE DIRECTORS OF IMF. TWO QUESTIONS WERE TO BE
RESOLVED: 1) DRAFT REPLY TO A COMMUNICATION FROM
PEOPLE'S BANK OF CHINA OF LAST SEPTEMBER TO IMF IN WHICH
PRC URGED ROC EXPULSION AND MADE CLAIM TO CHINESE ASSETS
AND 2) RESTITUTION OF GOLD TO THE ROC.

2. IN A PREVIOUS DISCUSSION OF FIRST POINT NORDIC
COUNTRIES' EXECUTIVE DIRECTOR URGED THAT ROC BE FIRST
EXPELLED BEFORE ANSWER SENT TO PRC. IMF MANAGEMENT,
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PAGE 02 STATE 004008

SUPPORTED BY U.S., ARGUED IN FAVOR OF FIRST ASCERTAINING
PRC INTENTIONS REGARDING PARTICIPATION, POINTING TO AWKWARD
LEGAL A4D PROCEDURAL PROBLEMS THAT WOULD ARISE IF ROC
EXPELLED AND PRC WOULD NOT TAKE ITS PLACE. IT WAS AGREED,
HOWEVER, THAT LETTER TO PRC BE REDRAFTED TO BE LESS LEGAL-
ISTIC AND SHOW GREATER INTEREST ON PART OF IMF IN PRC
PARTICIPATION. THIS LETTER WAS APPROVED JANUARY 5 BY A

SLIM MAJORITY OF VOTES OF EXECUTIVE DIRECTORS.

3. RESTITUTION OF PART OF IMF GOLD TO MEMBERS, AS DECIDED AT JAMAICA MEETING OF IMF, IS TO START NEXT WEEK. RECENTLY, FRENCH EXECUTIVE DIRECTOR PROPOSED THAT RESTITUTION OF GOLD TO ROC BE SUSPENDED UNTIL CHINA REPRESENTATION ISSUE SETTLED. IMF MANAGEMENT, AGAIN SUPPORTED BY US, ARGUED THAT LEGALLY AND AS MATTER OF EQUITY ROC IS ENTITLED TO RESTITUTION AND THAT IT WOULD VIOLATE IMF RULES NOT TO DO SO. NO DECISION WAS REACHED JAN. 5 SINCE VOTES WERE EQUALLY DIVIDED BETWEEN THOSE FOR RESTITUTION TO ROC, THOSE AGAINST AND THOSE ABSTAINING (INCLUDING LA EXECUTIVE DIRECTORS). MATTER TO BE DISCUSSED AGAIN ON JANUARY 10 BY EXECUTIVE DIRECTORS. FUND MANAGEMENT CIRCULATED COMPROMISE PROPOSAL THAT RESTITUTION TO ROC BE DELAYED UNTIL APRIL 1, AWAITING A REPLY IN THE INTERIM FROM PRC ON IMF LETTER MENTIONED ABOVE. WE INTEND TO SUPPORT COMPROMISE PROPOSAL AND HOPE THAT MAJORITY OF EXECUTIVE DIRECTORS WILL APPROVE.

4. ESSENCE OF US POSITION ON CHINA ISSUE HAS BEEN THAT WE WOULD WELCOME PRC PARTICIPATION IN IMF BUT NOT AT EXPENSE OF ROC. BUT WE SEE NO INDICATION AS YET THAT PRC IS INTERESTED IN PARTICIPATION. UNDER THESE CIRCUMSTANCES, WE ARE OPPOSED TO THE EXPULSION OF THE ROC OR CURTAILMENT OF ITS RIGHTS AS MEMBER IN GOOD STANDING.

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PAGE 03 STATE 004008

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Copy: SINGLE
Sent Date: 07-Jan-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
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